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ABSTRACT

Arguing that the financial crisis in higher education should be dealt with through fund-raising activities rather than retrenchment, this paper outlines a number of ways to increase college revenues. Introductory comments: suggest that revenue raising should be preventive, list resources focusing on new revenue sources, and identify attitudes which serve as roadblocks to fund raising. Section I examines the role of student charges in college finances, arguing that students have historically been undercharged for their education and citing financial problems that have resulted from a failure to measure and adjust student charges regularly. Section II provides suggestions concerning federal, state, and local government appropriations, identifying revenue sources, legislative areas to be aware of and monitored, and various kinds of activities that can be funded. In section III, ways in which the private sector can support colleges are identified, with focus on gifts from alumni, the role of foundations, and philanthropic sources. In addition, this section offers guidance on applying for grants. The final section, section IV, outlines the components of a business strategy, e.g., assess services for lease or self-operation; learn about and use cash management; rent college facilities; barter for goods and services; and market the college's schedule and capacity. (LAL)

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NEEDED: MORE REVENUE, NOT COST CUTS AND RETRENCHMENT

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NEEDED: MORE REVENUE, NOT COST CUTS AND RETRENCHMENT

Just call me Dr. Revenue. I have a prescription for financial ills, "Take two million and call me in the morning, your crisis will pass." There is no financial crisis that will not respond to more revenue.

New sources of revenue have been and are being identified and tapped by colleges, universities, governmental and nonprofit entities across America.

The revenue raising prescription is most effective when employed as preventative medicine. Crisis time is the worst time to begin treatment of any ailment. Begin now to increase revenue on your campus. Find new sources and get more from present sources. Strength requires nourishment.

A year ago I was asked by ASBO to participate in a panel discussion of "Managing During Periods of Fiscal Crisis." I suppose that I was picked because the title has fit my job description so well. Others spoke of hard cuts and retrenchment. I talked about what I'd

done at Reading - increasing revenue. This year ASBO met in Atlantic City - just coincidence I guess.

What we want to do today is to outline and examine as many ways as possible to increase the revenues of our colleges. Not all methods are appropriate or will succeed at all colleges at any given time. The hope is that from the list, each of you may find some ideas and inspirations to apply to your colleges, and that each of you, from your experience, may add items or insight to the list.

Some of these new sources have been identified and reported in:

- "New Sources of Revenue: An Ideabook" published by CASE, Susan Hunt editor.
- "Budget Balances" compiled by Girard Miller, published by the Municiple Finance Officers Association.
- "Academic Strategy" by George Keller, published by the Johns Hopkins University Press, an inspiration for this conference.

The prescription seems to simple - obvious. I've always suspected that my academic associates thought that if I'd just ask, money would

come.

There are road blocks.

- My generation spent too much time on price curves. We are convinced that a tuition increase means fewer students and this has been unthinkable.
- Academics are too modest about what they are worth.
- Higher education has a "nonprofit" and "welfare" attitude.
- We keep busy with the routine until the crisis arrives; cuts are mandated before the first extra dollar can arrive.

Our menu for today's discussion, as I've attempted to organize it, includes the following items. As we get to them, I welcome your interruptions, questions, additions, and examples.

REVENUE SOURCES

I. Student Charges

II. Governmental Appropriations

A. Federal

B. State

C. Local

III. Private Sources

A. Gifts

B. Grants and contracts

IV. Business Strategy

I. Student Charges

Student charges have historically been set with social rather than economic determinants in mind. Looked at from one view point, it might seem that the entire American collegiate establishment, public and private, has believed that Americans were not willing to pay a fair price for higher education. The collegiate establishment has seemed embarrassed to ask a fair price for its services.

In recent times, it has been demonstrated that generous amounts of government financial aid have made it possible to open and operate private colleges for gain. I hesitate to use the term "profit" with reference to a college. For one thing, you lose or confuse a part of your audience. The gain I've mentioned usually accrues to the administrator/entrepreneur group and the business community of trustees.

Who usually profits from the operation of a college? It's students and staff.

Evidence that Americans are willing to pay for higher education has been provided by the prestige private segment of higher education. Tuition rates at the prestige elite colleges and universities, and at a few of the giant and popular state universities, has increased by quantum sums in recent years with very little slacking in the demand for admission. The evidence is in, but the message has been slow to get around; the message that financial trouble can be cured or avoided by setting student charges with an eye to economics, rather than history or welfare.

Evidence of undercharging students is not hard to discover.

A fiscal crisis of major proportion struck the Washington State College and University system. State revenues declined as a serious recession struck the state's economy. Much attention was given to the economic crisis, serious cuts were made in college and university budgets. Programs and services were trimmed, layoffs reduced output and worsened the economy.

Tuition was finally raised - after three years with no increase! Three years when surpluses might have enabled colleges to bring repair, replacement, and maintenance to original strong positions. Quasi endowment might have been accumulated against a decline in revenue.

When tuitions were increased, of course there were many and bitter complaints from the students, as the increase had to be comparatively large. But, did the increase put Washington's tuition out of line? In 1983, after the increase, average public community college annual tuition in Washington was $471.00 per year. More that $50.00 per year

over the average in the western region, but more than $75.00 per year under the national average.

The Washington example is one traumatic occurrence - a direct result of shortsighted economic policy. We should not single out the state of Washington, for they are in the position of the one speeding motorist in ten or more who is caught and fined. As a matter of fact, colleges all over the country are being "fined" the tuition that they do not charge.

Take the example of two large midwestern community colleges, adjoining districts, similar socioeconomic conditions. Note that one charges its resident students $100.00 per year more than the other. Apply that $100.00 to a full-time equivalent enrollment of 10,000. You see $1,000,000.00, or rather, the less expensive college doesn't see it.

Take any college, anywhere, where fees do not cover the cost for which they were intended, where fees have not been measured and adjusted for two or more academic years.

No business can serve its customers properly over the long run if its owners ignore the economic realities in its neighborhood. By ignoring the economic realities, colleges sap their strength, vitality, and quality for an ideal of low tuition.

We could spend the entire period discussing pricing policy. I'd like to make a frontal assault on the Low Tuition Fact Book, published by AACJC, American Association of State Colleges and Universities, and

the National Association of State University and Land Grant Colleges. Limit our discussion and move along. We can come back later or during the round table.

II. Government Appropriations

A. Federal - chiefly student aid, be sure you have what you need and can obtain. In most of the articles on fiscal crises, included in the cure is the notation - financial aid was restructured.

Government contracts for education services.

Title III - developing institution.

New tax laws allowing deductions for contributions above the standard deduction in 1986.

Watch the feds carefully for new and different suport plans.

B. State - study state laws, whether you are public or private, you must be sure that you are maximizing state revenue opportunities.

If private, lobby for inclusion in state special interest bills. Pennsylvania and Illinois have a lot of public support for private colleges and universities.

C. Local - can local government contribute matching amounts for state and federal grants? You are an asset to the local

community, sell them:

- recreation,
- the library and reference services (the library at Missouri Valley College is also the library for Marshall, Missouri),
- consulting and demonstrations,
- employee training,
- computer, accounting, purchasing or personnel services, and, ask for local government support.
- buy services from local government rather than doing it yourself.

This also goes for other colleges in the community.

Each arm of government provides funding for different kinds of activity. Cooperate with other governmental units to maximize the amount that you are eligible to receive.

III. Private Sector

A. Gifts - People want to give things, especially if there is a tax advantage, publicity, or status available. Gifts go down in good times and increase in hard times, showing we can get more when we have to.

1. Alumni - Contact alumni; make it easy to join the alumni association, cultivate them, involve them (harass them).

2. Establish a foundation for collecting gifts and doing business; expand and energize existing foundation; employ specialists for foundation projects and special campaigns.

3. Line up for philanthropy - learn about living trusts and gift taxes; identify a list of wants and publicize it; cultivate bankers, brokers, and attorneys; find ways for philanthropists to identify with your college.

Small Pennsylvania school district reports "the first $100,000.00 was easy," speaking of a stadium fund drive.

Publicize your good news and wise moves. The Administrator reported in June that my friends at Union College in Kentucky

drilled a natural gas well. The result of the publicity was $50,000.00 in gifts to the college, seventy percent from people who had never before given to the college.

Don't wait for a dire need, though "dire need" is a great action generator. Money stashed in a "quasi-endowment" is very productive - nine to twelve percent these days.

B. Grants

1. Apply for grants in the logical areas of your academic concentration and grants which may employ your excess capacity.

2. Apply for strengthening grants, Title III, equipment grants, energy control challenge grants.

3. Avoid grants:

   1. for which your college has no basis of experience or production.

   2. with matching requirements beyond your means.

   3. which draw resources from more productive endeavor.

IV. Business Strategy

Diversify, but don't go overboard! Remember that educational services are your primary, in fact, your only, mission.

Business strategy can provide the revenue needed to strengthen institutional programs, but, getting carried away can cost a college its equilibrium, to say nothing of its 503(c)3 status.

Being more "businesslike" simply helps a business survive in the world of commerce; to become a better producer of shoes, or janitor service, or whatever it does. Being more businesslike can make a college a better producer of educational services.

One way to become more businesslike is to partner with business firms. Business has begun to find that colleges and universities can be interesting and productive business partners. Business brings capital (with accelerated depreciation and investment tax credit), size, connections, and experience to the partnership. Colleges provide land, buildings, grant supplied equipment, intellect, ideas, research files, captive customers,

and apprentice labor. The combination can be exciting and profitable for both partners.

Strategic Moves

A. Assess your services for lease or self-operate.

1. Dining and snack service

2. Bookstore

3. Cleaning and maintenance

4. Security

5. Information services (computer)

6. Graphics and printing

7. Recreational facilities

8. Payroll, audit services

B. Learn about and use cash management, make your money work as hard as it is able.

C. Rental of college facilities.

1. Auditoriums

2. Swimming pool, tennis and handball courts

3. Field house and baseball fields

4. Unoccupied dorms and dining rooms (wedding receptions)

5. Ground

D. Barter trading goods and services.

1. Surplus equipment

2. Facility use

3. Empty seats

a. Classes

b. Events

4. Services

E. Market your schedule and capacity.

1. Look at your schedule and compare with competition.

Review enrollments and project future demand.

2. Courses for contract with industry.

Stimulate, create, and fill demand.

Unlike poor deserving students, industry has money. There are many more strategic ways of saving money, but, raising money is much more fun and more productive.

1. That is the role of the fiscal manager in revenue raising?

2. What preparation is appropriate for university and college fiscal and business management?

3. What conflicts do you see between academic matters and the new business management/marketing techniques for saving/building colleges?

   A. Does anyone really learn anything from scholars teaching required courses?

   B. What about actors portraying basic concepts in important fields?

   C. Is this worse than "experience credits?"

   D. How can we keep from cheapening degrees by treating all students as Heismann candidates for fear of losing them.

4. Should colleges and universities get into business with business to provide the sponsor support that donors and governments cannot or will not provide?

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